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CANADA-NEW BRUNSWICK SUBSIDIARY AGREEMENT
ON INDUSTRIAL DEVELOPMENT

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THIS AGREEMENT made this 9th day of December, 1985.

BETWEEN:

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AND:

THE GOVERNMENT OF CANADA (herein referred to as "Canada"), represented by the Minister of Regional Industrial Expansion.

OF THE FIRST PART,

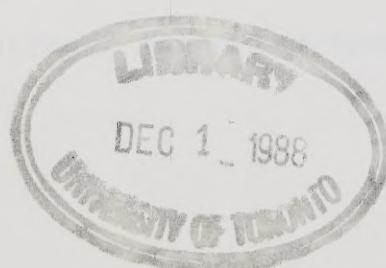
THE GOVERNMENT OF THE PROVINCE OF NEW BRUNSWICK (herein referred to as "New Brunswick") represented by the Premier of New Brunswick and the Minister of Commerce and Development,

OF THE SECOND PART.

WHEREAS Canada and New Brunswick have entered into an Economic and Regional Development Agreement (herein referred to as "the ERDA"), dated April 13, 1984, to achieve the objectives summarized as follows:

- (a) to ensure that the Province as a whole achieves a faster rate of growth of provincial output through increasing the number of viable long-term employment opportunities and increasing productivity or output per worker;
- (b) to lessen the vulnerability of the New Brunswick economy to international and national cyclical downturns; and
- (c) to ensure that each region of the Province and in particular those regions in which economic disparities are especially pronounced makes its maximum potential contribution to provincial economic growth given its relative economic strengths.

AND WHEREAS the industrial sector in New Brunswick in particular has been identified as a priority sector for development;



AND WHEREAS the Governor in Council by Order in Council P.C. 1985-3534 of the 5th day of December, 1985, has authorized the Minister of Regional Industrial Expansion to execute this Agreement on behalf of Canada;

AND WHEREAS the Lieutenant Governor in Council by Order in Council 85-990 of the 5th day of December, 1985, has authorized the Premier of New Brunswick and the Minister of Commerce and Development to execute this Agreement on behalf of New Brunswick.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, covenants and agreements herein contained, the parties covenant and agree as follows:

1. DEFINITIONS

1.1 In this Agreement:

- (a) "Principal Federal Minister" means the Minister of Regional Industrial Expansion and includes anyone authorized to act on his behalf;
- (b) "Federal Ministers" means the Minister of Regional Industrial Expansion and the Minister of State for International Trade;
- (c) "Principal Provincial Minister" means the Premier of New Brunswick and includes anyone authorized to act on his behalf;
- (d) "Provincial Implementing Minister" means the Minister of Commerce and Development and includes anyone authorized to act on his behalf;
- (e) "Ministers" means the Principal Federal Minister and the Principal Provincial Minister;
- (f) "Management Committee" means the committee referred to in section 5.1;

- (g) "fiscal year" means the period commencing on April 1 of any year and terminating on March 31 of the immediately following year;
- (h) "program" means a principal component of the Agreement containing a class of projects as outlined in Schedule "A";
- (i) "sub-program" means a sub-division of a program which is a principal component of this Agreement as described in Schedule "A";
- (j) "project" means a specific activity forming a self-contained unit within a sub-program which is a principal component of this Agreement as described in Schedule "A";
- (k) "eligible costs" mean reasonable and direct costs incurred on or after April 1, 1985 for the purposes of this Agreement that are:
 - (i) invoiced under an arm's length contract made under this Agreement for goods or services;
 - (ii) for contract staff who are hired by New Brunswick specifically for the purpose of implementing programs and projects under this Agreement; and
 - (iii) any other cost which is expressly described as an eligible cost in the Project Authorization Form referred to in section 6.1but unless expressly permitted shall not include costs which are:
 - (iv) any salary or benefits paid by either party to any of its employees, or those of one of its agencies, except as provided under section 1.1(k)(ii);
 - (v) fixed assets which are the property of that party, or any overhead or indirect costs which are incurred by that party or those of one of its agencies;
 - (vi) costs of land or costs of acquiring land; and

(vii) any of the exceptions numbered 1 to 19 inclusive set out in the Costing Memorandum attached hereto for reference as Schedule "D".

2. PURPOSE, OBJECTIVES AND SUBJECT MATTER

2.1 The purpose of this Agreement is to enable Canada and New Brunswick to undertake the coordinated implementation of specific measures aimed at industrial development in New Brunswick.

2.2 Canada and New Brunswick have agreed that the general objective of this Agreement is to strengthen, expand and diversify the industrial base within the Province of New Brunswick. Specifically, this Agreement is designed to:

(a) improve the climate for industrial development by:

(i) removing impediments to development through the selective provision of industrial infrastructure and industrial support measures;

(ii) assisting Regional Economic Development Commissions to improve their effectiveness;

(iii) undertaking sectoral and regional studies aimed at the removal of constraints to development and the identification of opportunities for industrial growth and diversification within New Brunswick; and

(iv) strengthening the human resource performance and capacity in technical and managerial positions within New Brunswick industries.

(b) Expand and diversify the economy by:

(i) enhancing the industrial prospecting process;

(ii) assisting in the establishment of strategically important industries and stimulating new and expanded product lines within New Brunswick's manufacturing and processing sector; and

- (iii) stimulating the establishment, expansion and modernization of selected service industries.
- (c) Increase domestic and foreign market penetration of New Brunswick products by:
 - (i) improving the support for the development of export marketing expertise;
 - (ii) assisting in the development and implementation of marketing plans and/or strategies;
 - (iii) strengthening the private sector role, information and support systems; and
 - (iv) improving the accessibility of federal, provincial and private sector support programs, services and expertise.

2.3 Schedule "A" attached to and forming part of this Agreement contains details of the programs and projects identified for implementation.

2.4 Schedule "B" attached to and forming part of this Agreement identifies the federal and provincial contributions to each program.

2.5 Schedule "C" attached to and forming part of this Agreement contains background information and the strategy for achieving the objectives of the subsidiary agreement.

2.6 In the implementation of this Agreement all projects shall be reviewed by the Management Committee for consistency with the objectives of this Agreement and the ERDA. All proposals from the Management Committee for amendment to this Agreement shall be reviewed in light of stated objectives.

3. FINANCIAL PROVISIONS

3.1 Notwithstanding anything in this Agreement the total contribution payable by Canada under this Agreement shall not exceed twenty-one million dollars (\$21,000,000).

3.2 Notwithstanding anything in this Agreement the total contribution of New Brunswick under this Agreement shall not exceed nine million dollars (\$9,000,000).

3.3 Canada and New Brunswick shall contribute to the eligible costs of projects implemented under the programs listed in Schedule "B".

3.4 Canada and New Brunswick shall cost-share the programs listed in Schedule "B" in the following manner: Canada shall contribute 70 percent of the eligible costs and New Brunswick shall contribute 30 percent of the eligible costs.

4. AMENDMENT

4.1 The Principal Federal Minister and the Principal Provincial Minister may amend the provisions of this Agreement except as expressly set out in section 4.2.

4.2 It is expressly understood and agreed that any amendment to the objectives in section 2.2, or to the financial limitations expressed in sections 3.1 and 3.2, shall require the prior approval of the Governor in Council and the Lieutenant Governor in Council.

5. MANAGEMENT AND COORDINATION

5.1 Pursuant to sections 6.2.1 and 6.2.2 of the ERDA, the Management Committee shall consist of four members. One voting member and one non-voting member shall be appointed by the Principal Federal Minister, one being designated as co-chairperson. One voting member designated as co-chairperson shall be appointed by the Principal Provincial Minister and one non-voting member shall be appointed by the Provincial Implementing Minister.

5.2 A voting member of the Management Committee may, in writing, authorize a person to attend and to vote at the meetings of the Management Committee on behalf of that member. A quorum for these meetings shall be two members of whom one shall be the federal voting member or a designate and one shall be the provincial voting member or a designate.

5.3 The Management Committee shall be responsible for the general administration and management of this Agreement.

5.4 Decisions of the Management Committee shall be acted upon only if taken unanimously.

5.5 When there is disagreement by the Management Committee, the Management Committee shall refer to the Principal Federal Minister and the Principal Provincial Minister whose decision shall be final.

5.6 The Management Committee shall continue to exist and to operate for as long as is necessary to meet the requirements of this Agreement.

5.7 The powers, duties and functions of the Management Committee are:

- (a) to approve all procedures in respect of its own meetings, including rules for the conduct of meetings and the making of decisions where the members are not physically present in one place;
- (b) to establish eligibility and financial guidelines for funding projects;
- (c) to develop project payment and shared-cost recovery guidelines;
- (d) to review, approve and inspect eligible projects. Appropriate project authorization forms as specified in section 6.1 shall be required by the Management Committee before a review is undertaken or approval is given;
- (e) before each fiscal year during which this Agreement is in effect, to prepare a work plan identifying which of the projects in the programs referred to in Schedule "A" are to be carried out in the year and by whom, the date by which the Management Committee anticipates that those projects will be completed, and the budgeted amounts to be contributed to eligible costs for each project in the year;
- (f) to approve the establishment of appropriate advisory and/or review committees, including technical, and public information committees as required, and arranging for the attendance of representatives from other departments, agencies and the private sector at committee meetings where their presence could contribute to the effectiveness of the Management Committee;
- (g) to recommend annually to Ministers estimates of proposed expenditures for each fiscal year;

- (h) to submit progress reports to Ministers prior to the annual meeting of ERDA Ministers referred to in Section 5.1 of the ERDA, or as requested;
- (i) to develop each year on a quarterly basis, an estimate of actual and anticipated cash flows by year and by program for the purposes of section 6.2.3 of the ERDA;
- (j) to ensure a full and free flow of information between the parties;
- (k) where the Management Committee identifies significant human resources implications in respect of any project hereunder, to consider a human resources plan for that project through Canada Employment and Immigration Commission (CEIC) and the New Brunswick Department of Labour and Human Resources which will include employment equity and recruitment of labour as appropriate;
- (l) to ensure that all contracts incorporate all relevant provisions of this Agreement;
- (m) to meet at least twice a year for the purposes of this Agreement;
- (n) to adopt such procedures, forms, reports, and guidelines that are not inconsistent with this Agreement as is deemed expedient and appropriate to achieve its purposes;
- (o) to meet with representatives of federal and provincial departments or agencies or other appropriate persons to facilitate cooperation and public goodwill in the management of the Agreement;
- (p) to add, amend, or delete any project under this Agreement where it considers that the purposes and objectives of the Agreement would be furthered by that addition, amendment, or deletion;

- (q) to authorize the transfer of funds from one project to another project or projects in the same program of Schedule "B"; and
- (r) to carry out any other duties, powers or functions specified elsewhere in this Agreement or such as may be assigned to the Management Committee by the Ministers by agreement in writing.

5.8 Canada and New Brunswick shall provide the Management Committee with all information and data necessary for the performance of its function.

5.9 (a) Except as otherwise specified in this Agreement or agreed by the Management Committee, New Brunswick shall be responsible for the administrative functions and, under the overall supervision of the Management Committee, for implementing all programs under this Agreement, and shall also ensure the provision of the staff and administrative machinery for the implementation of programs and projects under this Agreement assigned to New Brunswick.

(b) The Government of Canada, through the Department of Regional Industrial Expansion, shall assist in the stimulation of increased private sector investment within New Brunswick's industrial sector by encouraging the take-up of programs under this Agreement.

6. PROJECT AUTHORIZATION

6.1 Each project approved under this Agreement shall be described in an appropriate project authorization form which shall include the project name and description, the implementing jurisdiction, the purpose and objectives, a schedule of eligible

costs, the effective date, an outline of how the project is to be carried out and progress reported, the completion date, performance data to be provided, the identification of term or temporary staff to be employed for the implementation of the project, the total funds required and the share to be borne by each of the parties involved, the ownership and responsibility for the operation and maintenance of the project after completion, arrangements for public information and evaluation, and an indication whether revenue accruing from the project is shareable between Canada and New Brunswick, and if so, in what proportion, and such other information as may be required by the Management Committee.

6.2 All calls for tenders or announcements of contract awards for projects which are entirely government funded shall be approved by the Management Committee. The Management Committee shall agree on the selection of the successful tenderer for projects.

6.3 Any cost overrun in excess of the eligible costs budgeted or any cost incurred following the approved project completion date shall not be accepted by the Management Committee unless:

- (a) the party implementing the project giving rise to the overrun or delay in completion informed the Management Committee immediately when it became aware that a cost overrun or delay was probable; and
- (b) the Management Committee approved the inclusion of that cost.

7. PAYMENT PROCEDURES

7.1 Subject to sections 3.1, 3.2 and 3.3 each party shall be responsible to contribute to its share of eligible costs of projects undertaken under this Agreement.

7.2 Contributions to eligible costs shall be made on the basis of audited progress claims setting out the eligible costs incurred for projects and submitted in a form and verified in a manner satisfactory to Management Committee.

7.3 (a) Notwithstanding sections 3.3 and 7.2, in order to assist with the interim financing the other party may, if the implementing party so requests, make interim payments to the implementing party of one hundred per cent (100%) of the other party's share of the claims submitted, based on estimates of the costs incurred and certified by a senior officer of the implementing party.

(b) The implementing party shall account for each interim payment by submitting to the other party, within the quarter following the quarter in which the payment was made by the other party, a detailed statement of the actual costs incurred, verified in a manner satisfactory to the Management Committee.

(c) No interim payment shall be made in a fiscal year until any interim payments made in the previous year have been accounted by claims for expenditures actually incurred, certified by a senior officer of the implementing party and bearing an audit certificate and any outstanding balance of the payment has been repaid or accounted for in a mutually agreed manner and form.

7.4 The implementing party shall maintain proper and accurate accounts and records relating to the costs of projects undertaken pursuant to this Agreement, and shall upon reasonable notice make such accounts and records available at all reasonable times for inspection and audit by the other party for projects under Schedule "A".

7.5 Any discrepancy indicated by an audit between the amounts paid by each of the parties in respect of a project and the amounts payable by them hereunder shall be promptly adjusted.

7.6 For each Fiscal Year of this Agreement, the Management Committee shall ensure that the implementing party shall submit to the other party a statement of eligible costs incurred on all projects delivered by it under this Agreement.

7.7 The final date for approval of projects under this Agreement shall be March 31, 1990. No project completion date shall extend beyond March 31, 1991, and no claim shall be paid by the parties unless it is received by March 31, 1992.

7.8 Notwithstanding section 7.7, this Agreement may be terminated at the end of any fiscal year following the expiration of at least three years from the date of execution hereof, by either party giving to the other at least two clear fiscal years' notice in writing thereof. Any project which has not been completed on the date of expiry of the notice period referred to in this section shall continue until completion.

8. PUBLIC INFORMATION

8.1 Parties to the Agreement agree to cooperate in public information activities in both official languages for actions undertaken through programs listed in Schedule "A". They shall be

guided by the principles that all interested persons should be kept informed, that the contributions of both parties should be fairly acknowledged, and that both parties should have a fair opportunity to participate. To this end, application forms, letters of offer, press releases and other like correspondence and announcements shall clearly indicate, through appropriate logos or otherwise, the participation of both the federal and provincial government and/or the departments of the Ministers.

8.2 The Management Committee shall develop and implement a communications strategy and public information program in accordance with section 7.1 of the ERDA and shall be responsible for the review and management thereof.

8.3 Where construction or related activities are involved with respect to a capital project or with respect to a project involving incentive assistance, the parties shall, on the direction of the Management Committee:

- (a) supply, erect and maintain, during the course of construction or related activities, signs consistent with federal-provincial identity graphics guidelines, in both official languages. These shall be erected at the discretion of the Management Committee after commencement of the project, specifying that the relevant project is a Canada-New Brunswick Development Project, financed by contributions from the Department of Regional Industrial Expansion and the Province of New Brunswick, or such other wording to the like effect as may be agreed to by the Ministers; and
- (b) where relevant, upon completion of each project, to supply, erect and maintain a permanent sign or plaque to that effect.

8.4 For projects hereunder, announcements, official opening ceremonies, release of reports and other public information activities shall be arranged jointly by the co-chairpersons of the Management Committee.

9. EVALUATION

9.1 The Management Committee of this Agreement shall develop an evaluation framework within 12 months of the execution of the Agreement to document the objectives, activities and intended impacts/effects of the Agreement, to identify the likely evaluation issues and data collection requirements, to identify the need for periodic progress reporting on projects, and to establish an evaluation plan.

9.2 Canada and New Brunswick shall provide each other with all the relevant information and data as may be reasonably required for any evaluation that pertains to this Agreement.

9.3 Within 12 months prior to the termination date of the Agreement, the Management Committee will consider the evaluation framework and the data and information generated, in order to determine the potential need for a comprehensive evaluation of the Agreement.

9.4 Any evaluation activity pertaining to this Agreement shall be funded as determined by the Management Committee.

10. GENERAL

10.1 No member of the House of Commons of Canada or the Legislative Assembly of the Province of New Brunswick shall be admitted to any share or part of this Agreement or to any benefit arising therefrom.

10.2 Where one party hereto is responsible for the implementation of a project, it shall indemnify and save harmless the other party, its officers, servants and agents, against all claims and demands of third parties in any way arising out of the implementation of such initiative, except to the extent to which such claims or demands relate to the act or negligence of any officer, employee, or agent of the other party. Where the ongoing responsibility for the operation, maintenance and repair of any project hereunder is to be vested in a third party, the contractual arrangements made between the implementing party and the said third party shall provide a clause in order to save the parties harmless from any claims, demands, actions, and causes of action which may be made against them arising out of the operation, maintenance and repair of any such project by the third party.

10.3 Canadian goods and services shall be used in carrying out any project hereunder to the full extent to which they are procurable, competitive and allow for the expeditious performance of the projects.

10.4 The provision of contributions by Canada and New Brunswick for the implementation of this Agreement is subject to the Parliament of Canada and the Legislative Assembly of New Brunswick having appropriated funds for such financing in the fiscal year in which it is required.

10.5 Any unresolved dispute between the parties hereto on any question of law or fact arising out of this Agreement shall be submitted to and determined by the Federal Court of Canada pursuant to the Federal Court Act.

10.6 This document, Schedules "A", "B", "C", "D" and Annex I form the entire Agreement.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of Regional Industrial Expansion, and the Minister for International Trade and on behalf of the Province of New Brunswick by the Premier and the Minister of Commerce and Development.

IN THE PRESENCE OF:

GOVERNMENT OF CANADA

L. M. Friend

Witness

Edmonton

Minister of Regional
Industrial Expansion

L. M. Friend

Witness

W. M. C. Dunn

Minister for
International Trade

IN THE PRESENCE OF:

GOVERNMENT OF THE PROVINCE OF
NEW BRUNSWICK

Horace B. Smith

Witness

Richard B. Haig

Premier of New Brunswick

Horace B. Smith

Witness

T. J. Kelly

Minister of Commerce and
Development

SCHEDULE "A"

CANADA-NEW BRUNSWICK SUBSIDIARY AGREEMENT ON INDUSTRIAL DEVELOPMENT

1. DEVELOPMENT CLIMATE & INDUSTRIAL SUPPORT PROGRAM

Description

This program contains four sub-programs which introduce measures to improve the climate for industrial development in areas such as strategic planning and industrial infrastructure; measures to improve regional economic development throughout the Province; measures to strengthen the capability of New Brunswick firms at the managerial level and measures to improve access to business information and services.

1.1 PLANNING & ANALYSES

Description

This sub-program is designed to build on existing sector profile studies and to undertake further sectoral analyses and sub regional studies aimed at both the removal of constraints to industrial development and the identification of opportunities for industrial growth and diversification in New Brunswick. Examples of activities under this sub-program are:

- to generate a New Brunswick-wide data base to assist in the planning effort for and beyond the life of this Agreement;
- to undertake studies to define and develop long-term regional strategies;
- to investigate specific projects which could be supported under this Agreement;
- to participate in surveys that will define the constraints to industrial development;
- to contribute to planning efforts that facilitate cooperative action;
- to provide for public information;
- to undertake analytical studies of key industries that show signs of decline;
- to provide for the funding of contract staff who are hired specifically for the purpose of implementing programs and projects under this Agreement; and
- to provide for the evaluation of this Agreement.

Selection Criteria

Funding will be directed to public sector initiated consultant studies and to the cost of implementing and evaluating activities under this Agreement. Eligible costs include the costs incurred by New Brunswick with respect to engaging a qualified consultant, the direct costs of provincial contract staff and all public information costs.

1.2 REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS

Description

This sub-program is designed to provide operational funding support, on a declining basis, to New Brunswick's twelve (12) Regional Economic Development Commissions to assist in their efforts to encourage new business investments and to provide advisory services to business operations. That portion of their annual operating costs normally shared by New Brunswick shall be deemed the eligible costs. This Agreement will share in these eligible costs on the following basis: Year 1 - 100%; Year 2 - 70%; Year 3 - 40%; Year 4 - 10%; Year 5 - 0%.

Selection Criteria

Each Commission listed below will submit annually to the Department of Commerce and Development, a work plan and budget for the succeeding year. The Management Committee shall determine the level of assistance to be provided pursuant to this sub-program for each of the budget years, based on past funding allocation practices.

Eligible commissions are: Restigouche Industrial Commission Inc., Chaleur Regional Industrial Commission Inc., Northwest Industrial Commission Inc., Grand Falls Region Development Commission Inc., Miramichi Region Development Corporation Inc., Capital Region Development Commission Inc., Saint John Fundy Region Development Commission Inc., Economic Expansion Commission of the Peninsula Inc., Kent Industrial Commission Inc., Greater Moncton Economic Development Authority, South East Economic Commission Inc. and Carleton Regional Development Commission Inc.

1.3 INFRASTRUCTURE INVESTMENTS

Description

This sub-program is designed to meet an ongoing requirement for fundamental infrastructure investments necessary to the removal of constraints to new and expanded industrial growth. While no investment in the establishment of new industrial parks is anticipated, there is a continuing need for selective investments in the expansion of existing industrial parks and in response to identified needs for improvements in servicing standards.

Special assistance measures in other industrial infrastructure to encourage private sector investments will be selectively undertaken such as the financial sharing of site specific infrastructure based on demonstrated need.

Selection Criteria

Eligible applicants for the fundamental infrastructure investments component will include municipalities and other public sector applicants. An eligible fundamental infrastructure investment means an activity that provides a framework for the establishment, modernization or expansion of a manufacturing/processing operation and includes the construction of roads, sewers, watermains or water treatment plants for the development of industrial parks. Eligible costs will be those costs as determined by the Management Committee. Emphasis will be placed on infrastructure investment projects which provide evidence of a bottleneck to identifiable development opportunities and which are supported by a development plan. Priority will be given to projects with the strongest economic and social benefits.

Eligible applicants for the other industrial infrastructure component will include public and private sector applicants where the project would have significant benefits for employment, or would result in significant productivity improvement.

1.4 INDUSTRIAL DEVELOPMENT SUPPORT

Description

This sub-program is designed to develop and strengthen New Brunswick industry through the provision of measures aimed at improving access to and encouraging acquisition of business information, business services and managerial expertise. Specifically, funding will be provided for the following projects:

- To encourage information networks in respect of new products/processes, new technologies, managerial techniques, licensing, joint venture and consortia opportunities and a range of traditional and emerging business services between the Regional Economic Development Commissions and appropriate sources of information, through the establishment of compatible computerized data recording and retrieval systems.
- Small Business Internship Assistance designed to induce and assist companies to acquire appropriately skilled personnel for a newly created managerial/technical development position within the firm.
- Business Plans and Records Assistance intended to encourage and assist business operations in the preparation of comprehensive business plans and in the adoption and use of Management Information Systems.
- Entrepreneurial Development Assistance consisting of the preparation of audio-visual material designed to emphasize and promote entrepreneurship by depicting successful New Brunswick entrepreneurs. A Small Business Proposal Awards project will also be undertaken to stimulate the preparation of business proposals from interested business and technical faculties within New Brunswick universities, colleges or technical schools.

Selection Criteria

The encouragement of information networks will be limited to the acquisition costs of appropriate compatible computer hardware and software by Regional Economic Development Commissions. Costs to access information systems maintained by other organizations will also be permitted during the first two years of operation.

Eligible applicants for Small Business Internship Assistance are manufacturing/processing operations listed in Annex I as well as those firms deemed eligible under the Service Sector Incentives sub-program 2.4, which demonstrate a need for expertise in a professional field and which indicate the potential for providing continuing employment beyond the assistance period. Assistance will be limited to 50% of an eligible candidate's gross salary.

Business Plans and Records Assistance will be directed to the eligible manufacturing/processing operations listed in Annex I as well as those firms meeting the project eligibility criteria of the Service Sector Incentives sub-program. Applicants will be encouraged to adopt appropriate computerized record keeping and business management systems. Assistance may be directed towards the costs of engaging professional consultants, training programs, hardware and/or software acquisition or other related costs.

Entrepreneurial Development Assistance will be directed towards the development of a series of audio-visual productions of successful New Brunswick entrepreneurs and industries. Eligible projects for Small Business Awards are business proposals prepared by students within business and technical school faculties and submitted annually for review by a joint federal/ provincial committee. Each project will be conducted under the guidance of a university or institute faculty member. A small contribution will be made toward expenses incurred with each project and prize money awarded annually to the top three projects within the province.

2. INDUSTRIAL DIVERSIFICATION PROGRAM

Description

This program contains measures intended to facilitate and accelerate the process of attracting new private investment to New Brunswick. Four sub-programs will be undertaken in pursuit of industrial diversification: Industrial Prospecting, Strategic Investment Assistance, Manufacturing License Incentives and Service Sector Incentives.

2.1 INDUSTRIAL PROSPECTING

Description

This sub-program is designed to provide New Brunswick with limited but well-focussed industrial promotion based on an opportunity-driven approach. Financial support will be provided as required for each development stage of a vigorous, industrial prospecting process. Funding will thus be provided for the preparation of a prospectus related to an opportunity, the detailed assessment stage and the costs associated with the marketing/brokerage stage leading to a potential investor(s).

Selection Criteria

Projects for funding under the Industrial Prospecting component will be presented in the form of detailed recommendations to the Management Committee of this Agreement. Eligible costs will include the costs incurred by New Brunswick with respect to engaging qualified consultants and/or professional services, costs of contract staff with international negotiation skills as well as all direct travel expenses, promotional and advertising costs.

2.2 STRATEGIC INVESTMENT ASSISTANCE

Description

This sub-program is designed to accelerate the growth of firms and industries within strategic sectors of the New Brunswick economy. Financial assistance will be available in support of investment projects deemed to be of strategic importance and/or of considerable economic growth potential to New Brunswick.

Selection Criteria

Eligible projects will be those commercially exploitable projects which are deemed to be of strategic importance to the New Brunswick economy and which do not normally qualify for assistance under existing government programs. Assistance requiring the authorization of the Principal Federal Minister and the Provincial Implementing Minister, will be provided only to the level necessary to allow the project to proceed.

2.3 MANUFACTURING LICENSE INCENTIVES

Description

This sub-program is designed to foster increased diversification within New Brunswick's manufacturing sector by providing a direct incentive of up to \$50,000 towards the costs of acquiring a manufacturing license. This will include any travel costs related to the acquisition of the license.

Selection Criteria

A repayable contribution in the form of an interest-free loan will be provided to eligible manufacturing/processing firms (listed in Annex I) towards the costs of acquiring a manufacturing license for a new product or new technology. The interest-free loan will not exceed 50 percent of the licensing fee and related travel costs up to a maximum of \$50,000, and will be repaid from sales income derived from the license.

2.4 SERVICE SECTOR INCENTIVES

Description

This sub-program is designed to provide an incentive towards the establishment, expansion or modernization of selected service sector operations. Two financial incentive options based on capital or non-capital costs or a combination of both will be offered to eligible applicants under this sub-program. The maximum financial incentive available under this sub-program will be limited until such time as the potential and needs of this sector have been established through experience.

Selection Criteria

Annex I of this Agreement reflects the agreed project and eligible cost criteria as well as levels of assistance for this sub-program. Other requirements may be established by the Management Committee for the efficient operation of this sub-program.

3. MARKET AND TRADE DEVELOPMENT PROGRAM

Description

This program, consistent with the findings of the New Brunswick Trade Strategy Task Force, is designed to provide measures which will strengthen the marketing capability of New Brunswick firms as well as measures to expand the export of New Brunswick products in domestic and international markets. Assistance rendered under this program will complement and if deemed necessary by the Management Committee of this Agreement, will supplement other federal and provincial programs supportive of export market development.

3.1 MARKET PLANNING AND IMPLEMENTATION

Description

This sub-program responds to the needs of small and medium size New Brunswick industries to develop and strengthen their marketing capability by providing financial and technical incentives for market planning and subsequent implementation. Planned initiatives are consistent with the recent findings of the New Brunswick Trade Strategy Task Force and include the following:

- financial and technical assistance for the development of marketing plans, which could include undertaking market research, reconnaissance trips, defining the appropriate products and market, developing an implementation strategy and training in-house personnel to implement the plan;
- financial assistance for implementation of a market plan which will include minor product modifications, packaging improvements, technical and promotional support materials, establishing initial market contacts, test marketing, and attendance at trade shows; and
- financial assistance to encourage the hiring of professionally qualified marketing personnel (under the auspices of sub-program 1.4 of this Agreement).

Selection Criteria

Financial assistance for the preparation of market plans or marketing strategies will be provided to the eligible manufacturing or processing operations described in Annex I as well as service sector firms deemed eligible for assistance under the Service Sector Incentives, sub-program 2.4 of this Agreement. Assistance of up to 50 percent of the costs of engaging a qualified, arms-length consultant and for product packaging, brochures and promotional literature development will be provided to eligible projects.

Assistance for a market research study will be limited to a 50 percent contribution toward the costs of engaging a qualified consultant.

3.2 EXPORT DEVELOPMENT

Description

This sub-program will focus specifically on initiating and expanding the export capabilities of small to medium size New Brunswick industries. Emphasis will be placed on the dissemination of export market information to the firm, and in measures designed to improve access to foreign markets. Also consistent with the recent findings of the New Brunswick Trade Strategy Task Force, planned initiatives include the following:

- financial assistance for pre-qualification of products for export (foreign certification), and for the implementation of measures to improve quality control standards for specified commodity groups;
- assistance to business persons for "self help" initiatives such as measures to assist in the dissemination of information on export markets, and including workshops or seminars to develop specialized market skills or techniques; and
- financial assistance towards the development and delivery of educative activities in international marketing.

Selection Criteria

Financial assistance for the pre-qualification of products for export will be directed to firms deemed as eligible manufacturing/processing operations in accordance with Annex I and firms eligible under sub-program 2.4 of this Agreement. Assistance of up to 50 percent of eligible costs will be provided.

Support for the development and delivery of educative activities in international marketing will be based on invited proposals from New Brunswick universities and will consist of a one-time contribution toward the operating costs of activities which include course development and research, as well as seminars/workshops for New Brunswick industry.

Financial assistance and the criteria for the other projects will be subject to the approval of the Management Committee of this Agreement.

SCHEDULE "B"

**CANADA-NEW BRUNSWICK SUBSIDIARY AGREEMENT
ON INDUSTRIAL DEVELOPMENT**

SUMMARY OF ESTIMATED COSTS 1985 TO 1990

<u>PROGRAMS</u>	<u>Total</u>	<u>\$ Millions</u>	
		<u>Federal</u>	<u>Provincial</u>
1. Development Climate and Industrial Support	16.9	11.83	5.07
2. Industrial Diversification	8.0	5.60	2.40
3. Market and Trade Development	5.1	3.57	1.53
<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	30.0	21.0	9.0

SCHEDULE "C"

CANADA-NEW BRUNSWICK SUBSIDIARY AGREEMENT ON INDUSTRIAL DEVELOPMENT

BACKGROUND

The strategy of the 1975-80 Industrial Development Agreement was aimed at fostering a balanced regional approach to the development of New Brunswick's manufacturing sector. The major initiatives under the \$30 million federal/provincial agreement included the provision of physical infrastructure, the establishment of regional industrial commissions and a regionally targeted small industry financial-assistance program. With the termination of the Agreement on March 31, 1980, the Province of New Brunswick continued to provide funding assistance to the Industrial Commissions and eventually expanded the small industry financial assistance programming to cover the entire Province. The federal government provided assistance for the provision of physical infrastructure under the Development Climate Element of the Industrial and Regional Development Program (IRDP) from July, 1983 to November of 1984.

Since the termination of the Industrial Development Agreement, world economic circumstances have changed dramatically and new opportunities and constraints have emerged. The current Agreement is conceived to provide a framework and create a climate which will support private sector initiatives to take advantage of the present situation. Among the major contributing factors which have prompted the government initiatives described in Schedule A of this Agreement are the following:

- The general economic downturn of 1980-82 has raised the amount of unemployment in New Brunswick to unacceptably high levels. If the Province of New Brunswick is to realize its industrial potential and provide the job opportunities necessary for the reduction of its high unemployment rate, every effort must be made to assist the private sector in taking advantage of all opportunities for development.
- Changing economic conditions have contributed to a substantial increase in the Provincial Government debt with the result that the Province's ability to effectively support industrial development has become hampered.
- The Development Climate element of the IRDP which provided for basic infrastructure was eliminated in November 1984. The physical infrastructure in some areas of the Province is being utilized to maximum capacity and unless additional services are provided growth in these areas will become constrained. The high activity under this element since the inception of the IRDP indicates the relevance and continuing demand for investments in infrastructure.
- Because of resource constraints, opportunities for employment growth in the resourced-based industries are limited. These industries presently provide over two-thirds of employment in the manufacturing sector. In order to simply maintain existing market shares, New Brunswick's forestry and fishery industries will need to modernize their production processes and improve their competitive standing in both the domestic and international marketplaces. In addition, there are some limited opportunities for employment expansion through new product development and the further (value added) processing of resources prior to shipment to markets.

- The non-resource-based industries offer opportunities for employment expansion through diversification and the development of new products and new processes.
- The New Brunswick manufacturing/processing sector comprised of some 1400 companies, is characterized by a large number of small manufacturing operations. About 75 per cent of all firms employ less than 25 employees; whereas only 9 per cent employ more than 100 employees. These small firms sell most of their products within local and regional markets. Over 400 firms export to various international markets, mostly to the United States. While this group of exporters forms a base to build upon, some suffer constraints which this Agreement will address such as the lack of managerial and marketing skills and experience with developing new markets. In addition, many firms lack the technology and technically trained staff to compete nationally and internationally.

STRATEGY

The development strategy which follows is a result of a consultative and coordinated approach to regional industrial development in New Brunswick undertaken by both federal and provincial governments. Government seeks to be both facilitator and catalyst in its attempts to stimulate and lever investment by the private sector in New Brunswick industry.

The Canada and New Brunswick Economic and Regional Development Agreement (ERDA) signed April 13, 1984, provides the legislative mandate for joint federal and provincial initiatives in the area of industrial development. The General objective of the ERDA is to reduce the gap in earned income per capita between New Brunswick and the Canadian average with major goals being:

1. To ensure that the Province achieves a faster rate of growth of provincial output through increasing the number of viable long-term job opportunities and increasing productivity or output per worker;
2. to lessen the vulnerability of the New Brunswick economy to international and national cyclical downturns; and
3. to ensure that each region of the Province makes its maximum potential contribution to provincial economic growth given its relative economic strengths with particular emphasis on those regions where economic disparities are most pronounced.

Industrial Development

The general objective of this Agreement is to strengthen, expand and diversify the industrial base within the Province of New Brunswick. Specifically, this Agreement is designed to:

a) Improve the climate for industrial development by:

- removing impediments to development through the selective provision of industrial infrastructure and industrial support measures;
- assisting Regional Economic Development Commissions to improve their effectiveness;

- undertaking sectoral and regional studies aimed at the removal of constraints to development and the identification of opportunities for industrial growth and diversification within New Brunswick; and
- strengthening the human resource performance and capacity in technical and managerial positions within New Brunswick industries.

b) Expand and diversify the economy by:

- enhancing the industrial prospecting process;
- assisting in the establishment of strategically important industries and stimulating new and expanded product lines within New Brunswick's manufacturing and processing sector; and
- stimulating the establishment, expansion or modernization of selected service industries.

c) Increase domestic and foreign market penetration of New Brunswick products by:

- improving the support for the development of export marketing expertise;
- assisting in the development and implementation of marketing plans and/or strategies;
- strengthening the private sector role, information and support systems; and
- improving the accessibility of federal, provincial and private sector support programs, services and expertise.

In order to respond effectively to the current economic circumstances and address the opportunities and constraints that have emerged since the expiration of the previous Industrial Development Agreement, the following programs have been developed:

1. DEVELOPMENT CLIMATE AND INDUSTRIAL SUPPORT PROGRAM

Development Opportunity Rationale

High unemployment, continued reliance on traditional resource-based industries and lack of significant investment in human and technical resource areas at the individual industry level are problems of such magnitude that any attempt at resolution must begin by addressing the fundamental underpinnings for industrial progress. As the background to the industrial development strategy indicates, since the termination of the previous federal/provincial sub-agreement on industrial development, the vital on-going activities aimed at improving the climate for development, strengthening industrial support for New Brunswick's manufacturing sector and enhancing the efforts of Regional Economic Development Commissions have been constrained. If revitalized and new industrial growth is to be encouraged the development climate must be improved and the industrial support system strengthened and expanded.

1.1 Planning and Analysis

Development Opportunity Rationale

The effective and efficient deployment of public funds and human resources in pursuit of the objectives of this

Agreement will require considerable planning and analyses of New Brunswick's industrial sector. The detailed examination of constraints, weaknesses and opportunities within the overall industrial sector should culminate in the development of both regional and sectoral strategies for present and future industrial development within New Brunswick. The promotion of programs to ensure public awareness and the assessment of Agreement objectives to ensure value for money will also be funded under this sub-program.

Relationship to Previous Subsidiary Agreements

Planning studies, giving rise to some \$2.6 million in expenditures, were an original component of the previous Industrial Development Subsidiary Agreement. While some of these studies related to industrial park planning, the majority were product, resource, sector and specific company (troubled industries) studies. A program was also available to assist the Industrial Development Commissions to undertake opportunity identification and promotion studies. Some similar activities are envisaged for funding under this program component.

Relationship to Existing Federal/Provincial Programs

The federal Industrial and Regional Development Program (IRDP) assists with the funding of studies to determine the feasibility of establishing, expanding or modernizing a firm. Assistance is also available to eligible manufacturing/processing operations to undertake productivity improvement and market research studies as well as venture capital searches. The ERDA planning subsidiary agreement exists as a funding mechanism to define thrusts that could be the subject of future subsidiary agreements.

Through this sub-program, the non-funded (in-house) analytical activities of the federal and provincial governments can be enhanced and built upon to provide meaningful results complementary to other planning efforts.

1.2 REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS

Development Opportunity Rationale

The twelve (12) Regional Economic Development Commissions continue to make a significant contribution to the definition and resolution of problems and issues within the regions they serve. This sub-program will reconfirm the importance of these Commissions in industrial development and will also provide for the funding transition that was heretofore not available to the Province.

Relationship to Previous Subsidiary Agreements

The previous Industrial Development Subsidiary Agreement expired March 31, 1980. Funding formulas had been developed which included financial participation by the municipalities. The activities of the Commissions have been limited during the past four years, during a period of

recessionary pressures and a concerted effort can now be made over the medium term to explore new opportunities and seek solutions to longstanding local issues and developmental constraints.

Relationship to Existing Federal/Provincial Programs

Familiarity with and promotion of federal and provincial programs of benefit to local industries is part of the mandate of the Regional Economic Development Commissions. Their support of existing programs and activities proposed under this subsidiary agreement is essential.

1.3 INFRASTRUCTURE INVESTMENTS

Development Opportunity Rationale

The lack of an appropriate funding instrument since 1980 has reduced the availability of certain infrastructure vital to industrial growth. Financial assistance is required to ensure a sufficient supply of adequately serviced industrial lots (replete with zoning approvals) to facilitate efforts to attract and encourage private investments. Other needed infrastructure may include project or firm-specific infrastructure as a precondition to industrial or trade development.

Relationship to Previous Subsidiary Agreements

Industrial land servicing was a major aspect of the previous Industrial Development Subsidiary Agreement. Approximately \$11.2 million was spent servicing industrial parks and a further \$1.9 million for single industry sites. The provision of advanced factory space was envisaged but not pursued. Planning studies for port development were conducted but no direct investments were made in port infrastructure or facilities under the former agreement. Significant infrastructure investments have also been made under the Northeast New Brunswick Subsidiary Agreement.

Relationship to Existing Federal/Provincial Programs

With the removal of the "Development Climate" element from the IRDP, there are no other programs providing assistance for infrastructure development.

1.4 INDUSTRIAL DEVELOPMENT SUPPORT

Development Opportunity Rationale

Efforts to foster a business climate conducive to industrial growth requires a strong business services and information support system. While the present level of business services, expertise and information is deficient in some areas, there are other areas where improved access would suffice business needs. This sub-program is thus aimed at overcoming specific weaknesses within the business support environment.

- Improved access to information should be realized with the greater application of compatible computerized data retrieval systems among industrial development organizations and agencies.

- Encouraging the utilization of micro and mini computers within small businesses will not merely introduce computer technology to many small firms, it will also effectively demonstrate the benefits and efficiency aspects of this important business tool.
- The human resource gaps in business and technical expertise within most small firms are generally linked to cost factors particularly for newly established small firms. To address deficiencies in managerial know-how and to offset the initial costs of hiring needed expertise, a financial incentive is included to encourage the hiring of appropriately skilled personnel for positions within small firms.
- While most companies recognize the changing economic and market circumstances in which they operate, too few have made planning an integral part of their management process. Both growth and survival rates could be improved by assisting New Brunswick firms to develop comprehensive business plans. Similarly, the need for control/information systems particularly within start-up firms is acute, for the new establishment is often not able to afford these expenditures in the early stages. The proposed assistance will help overcome this problem in new companies and enable established firms to refine their own internal control and planning mechanisms.
- Entrepreneurial development is in large measure the result of ideas and attitudes rather than academic and bureaucratic knowledge. Too often the economic and attitudinal malaise reinforced in part by the media is based upon the negative rather than the positive aspects of working and operating a business in New Brunswick. Regional development strategies suggest modelling as a tool for economic growth. The audio-visual medium will be used to demonstrate clearly that profitable business can be, and is being done in New Brunswick. Local "dynamic entrepreneurs" will be utilized to demonstrate New Brunswick successes.
- The university is in many respects an underutilized resource for new business prospects. A low cost awards project is capable of generating a considerable number of small business proposals from students in the latter stages of their undergraduate studies. The project will also be supportive of entrepreneurial development within New Brunswick.

Relationship to Previous Subsidiary Agreements

An Industry Support Program undertaken through the former Industrial Development sub-agreement funded up to 50 percent of the costs incurred by private manufacturers in the areas of: company cost-shared testing and development, company cost-shared research and development, licensing, productivity and market planning studies, management course assistance, brochures and sales promotion materials, sales training development, trade show visitation assistance, management information systems, executive internship, technologist internship and product packaging and design.

The evaluation of this program concluded that the benefits in increased sales, employment and profitability far outweighed the program costs. (Nearly \$900,000 was expended under the former program.) Some of the formerly funded areas are intended for funding under this Agreement.

Relationship to Existing Federal/Provincial Programs

A program of financial incentives for the acquisition of mini/micro computer by manufacturing/processing and selected services firms was introduced under the Northeast New Brunswick Subsidiary Agreement (NENB). Program take-up results were excellent.

The Southeast New Brunswick (S.E.N.B.) development initiative contains a program of assistance for the addition of skilled personnel within eligible southeast New Brunswick firms. The S.E.N.B. initiative is due to expire on March 31, 1986.

2. INDUSTRIAL DIVERSIFICATION

Development Opportunity Rationale

Faced with limited opportunities for growth in traditional resource-based industries, New Brunswick must endeavour to encourage new industry formation with less reliance on depleting or constrained natural resources. Efforts to encourage new growth within the non-resource based industry sector will demand an intensive, discriminating examination of what is both possible and pragmatic for New Brunswick. Experience suggests that such concentrated efforts to encourage industrial diversification will require special financial assistance measures to induce the requisite private sector investment.

2.1 Industrial Prospecting

Development Opportunity Rationale

Opportunities for growth in traditional industries are somewhat limited due to resource constraints. As a result, new firm growth will have to come from the exploitation of primarily non-resource-based opportunities. Financial resources will be required to undertake concerted efforts in opportunity identification, the assessment of promising projects and the marketing of the opportunity to obtain an investor(s).

Relationship to Previous Subsidiary Agreements

Unlike efforts under the former Industrial Development sub-agreement the proposed sub-program calls for a comprehensive, refined process for industrial prospecting to be conducted in a systematic fashion.

Relationship to Existing Federal/Provincial Programs

Current efforts in industrial prospecting are either non-funded or under-funded in part and are generally uncoordinated or adhoc in nature.

2.2 Strategic Investment Assistance

Development Opportunity Rationale

Private investments, representing significant industrial opportunities for the Province of New Brunswick, have often been lost because of the rigidity which is necessary in national financial assistance instruments. The pursuit of new industry opportunities to serve the goal of industrial diversification will require a flexible financial

assistance mechanism. This sub-program, which will complement the industrial prospecting effort, will be used selectively to broaden and support the industrial base.

Relationship to Previous Subsidiary Agreements

A flexible financial assistance instrument for major projects of strategic importance to New Brunswick was not part of the former sub-agreement.

Relationship to Existing Federal/Provincial Programs

Strategic investment assistance will be used to capture opportunities of significance to the export or import replacement market which will augment the diversity of employment opportunities within the province. Where possible, assistance will be complementary to other government funding instruments.

2.3 Manufacturing License Incentives

Development Opportunity Rationale

As part of the strategy to diversify the industrial base, particularly the non-resource-based industrial sector, assistance to encourage the introduction of new products through the purchase of manufacturing rights fills an essential gap. Manufacturing licenses for the introduction of new products are generally based on proven managerial and engineering capabilities, come at a generally lower cost and within a shorter time frame than by developing products in-house and offer considerably lower risks due to an already established product and market. Assistance in the form of an interest-free loan will not only eliminate the risk of inflated licensing fees but will ensure the contracts are negotiated in good faith.

Relationship to Previous Subsidiary Agreements

Activity under the Industry Support Program of the previous Canada/New Brunswick Industrial Development Sub Agreement included some licensing and licensing opportunity study assistance. By inference, as part of the Industry Support sub-program element, such activity must also have contributed to the highly favourable benefit-cost ratio cited by the sub agreement evaluators.

Relationship to Existing Federal/Provincial Programs

There is currently no direct assistance for the purchase of a manufacturing license.

2.4 Service Sector Incentives

Development Opportunity Rationale

Analysis indicates the economic growth potential of service sector firms could be accelerated through direct financial incentives. A recent provincially-sponsored examination of this sector indicates that New Brunswick has 197.3 service sector jobs per 1000 population compared to 254.0 for Canada. Services to business management is a sub-sector in which the province is less than two-thirds the national ratio. The study underlined the fact that "specific

service groups contribute more to, or have the potential for generating more economic growth than others". Those having the greatest potential are the ones which: provide services outside the province; or replace imports or benefit from technology transfer; or lead to an increase in activity of other basic firms. This sub-program will attempt to induce growth in the service sector on a targetted basis.

Relationship to Previous Subsidiary Agreements

A Small Industry Assistance Program was initiated under the Fund for Rural and Economic Development (FRED) and extended and broadened under the auspices of the 1975-80 Industrial Development Subsidiary Agreement. However, assistance was directed toward small manufacturing/processing firms only.

Relationship to Existing Federal/Provincial Programs

The Province of New Brunswick has operated a Small Industry Financial Assistance Program (SIFAP) since 1980 which provides assistance to eligible manufacturing and processing firms, as well as to a few service related activities. There are presently no federal instruments providing direct incentives to the service sector.

3. MARKET AND TRADE DEVELOPMENT PROGRAM

Development Opportunity Rationale

In late 1984, a task force comprised of federal and provincial government officials and representatives of the private sector was established, by the Regional Executive Director for Regional Industrial Expansion, to prepare a trade strategy for New Brunswick. The market and trade development strategy embodied in this Agreement is a response to the recommendations of the New Brunswick Trade Strategy Task Force. As a result of extensive consultations with the private sector, priority has been assigned to three broad areas: increased support for business marketing both in the development of internal marketing capability and in the exploitation of export marketing opportunities; improvements to the federal-provincial support network; and the need for the private sector to more aggressively seek export opportunities and support each other in these efforts. The Agreement programming reflects these priorities.

3.1 Market Planning and Implementation

Development Opportunity Rationale

The Task Force findings indicate that many New Brunswick firms admit to being weak in various aspects of marketing. For many, basic work in market identification, planning and feasibility analysis to determine what the international marketplace demands, the most profitable market segments and the most appropriate market strategies has not been undertaken generally because of limited human and financial resources. A first priority accordingly, is to provide increased assistance to business in developing its marketing capability and expertise in order to strengthen its position in domestic and foreign markets.

3.2 Export Development

Development Opportunity Rationale

If New Brunswick firms are to show aggressiveness and initiative, they will need to acquire a better knowledge and understanding of export markets. At present most small entrepreneurs do not understand international marketing or the procedures and regulations for entrance to export activities. This sub-program will address the educational and training needs of New Brunswick entrepreneurs. Consideration will be given to the provision of assistance which serves to complement and, if required, to supplement other federal and provincial programs supportive of export market development.

Relationship to Previous Subsidiary Agreement

The former Industrial Development Subsidiary Agreement provided some assistance for the development of marketing strategies under the Industry Support Program component.

Relationship to Existing Federal/Provincial Programs

The federal Program for Export Market Development (PEMD) responds to the requests of established firms wishing assistance for the development of markets outside Canada. No assistance is currently available from either government for the preparation of export market strategies at the individual industry level. The New Brunswick Trade Task Force findings indicate that the typical small New Brunswick firm is frequently ill-prepared in terms of export market identification and planning and confused about the sources of advice and financial assistance. The Market and Trade Development Program will enable the exporter to make more effective use of existing advisory and financial assistance services.

SCHEDULE "D"

**CANADA-NEW BRUNSWICK SUBSIDIARY AGREEMENT
ON INDUSTRIAL DEVELOPMENT**

GENERAL ELEMENTS OF COST

The following shall not be included as an eligible cost when calculating an incentive to be paid under this Agreement unless otherwise specified in the program criteria of this Agreement.

1. Allowance for interest on invested capital, bonds, debentures, bank or other loans.
- *2. Entertainment expenses.
- *3. Dues and other memberships other than regular trade associations.
4. Donations except administrative expenses including salaries of corporate executive officers, office salaries, janitors, cleaners, miscellaneous office and administrative expenses, such as stationery and office supplies, postage, reasonable donations to cities and other necessary office expenses.
5. Losses on other contracts.
6. Depreciation on buildings, machinery or equipment paid for by the Crown.
7. Fines and penalties.
8. Amortization of unrealized appreciation of value of assets.
9. Expenses, maintenance and/or depreciation of excess facilities.
10. Increase in reserves for contingencies, repairs, compensation insurance and guaranteed work.
11. Federal and Provincial income, excess profits or surtaxes and/or any special expenses in connection therewith.
12. Unreasonable compensation for officers and employees.
13. Bond discount or finance charges.
14. Premiums for life insurance on the lives of officers.
15. Legal and accounting fees in connection with reorganization, security issues, capital stock issues or the prosecution of claims of any kind against the Crown.
16. Losses on investments, bad debts and expenses of collection.
17. Advertising, except reasonable advertising of an industrial or institutional character placed in trade or technical journals of value for the dissemination of trade and technical information for the industry.
18. Selling expenses.
- *19. Fees, extraordinary or abnormal, for professional advice in regard to technical, administrative or accounting matters, unless prior approval from the Crown has been obtained.

* Except where the activity involves foreign travel and/or the foreign promotion of development opportunities for New Brunswick.

**CANADA-NEW BRUNSWICK SUBSIDIARY AGREEMENT
ON INDUSTRIAL DEVELOPMENT**

Eligible Manufacturing and Processing Operations

A manufacturing or processing operation means an operation in which goods, products, commodities or wares are created, fabricated, refined or made more marketable and includes:

- (a) the production of advanced software systems,
- (b) the processing by roasting, leaching or smelting of mineral concentrates to produce metals,
- (c) the converting of wood pulp into paperboard or paper,
- (d) the processing of a material that results in a significant chemical change to the principal component of the material being processed,
- (e) the application of biological agents to the processing of materials, through innovative scientific or engineering activities, for the purpose of providing goods and services,
- (f) off-farm climate controlled produce storage facility which is an integral part of a grading and packing operation,
- (g) fur processing operations which can include the skinning, processing and finishing of pelts,
- (h) the washing and grading of oysters and the automated grading, washing and depuration of other shellfish, including the required holding tanks and cold storage facilities,
- (i) net manufacture and related repair facilities provided they are free standing and arms-length operations,
- (j) maple syrup production which can include pipeline collection equipment, evaporating and finishing equipment and related production facilities,
- (k) recording studios designed for commercial audio or video products,
- (l) the production equipment required for full time craft production,
- (m) the production of fuel, coke and/or gas products which can include the processing of sawdust, bark, solid wastes, peat, coal or oil shale to produce value added products and gases but does not include the refining of crude oil,
- (n) maintenance or repair facilities directly servicing manufacturers or processors,

but does not include

- (o) the merchandising of goods, products, commodities or wares unless the merchandising is an integral part of the operation by which they are created, fabricated, refined or made more marketable,

- (p) the growing, catching or harvesting of any natural or cultivated product of nature,
- (q) the extraction of minerals by any method or the processing of ores to form mineral concentrate,
- (r) the operation of mixing concrete or asphalt if the results of the operation are primarily for the purpose of direct application in plastic form to roadway paving or for direct use in construction,
- (s) any mobile manufacturing or processing operation,
- (t) construction work,
- (u) publishing other than printing,
- (v) repairing as distinct from rebuilding except as provided for in (i) and (n) above,
- (w) the processing of firewood,
- (x) providing a consumer service.

SERVICE SECTOR INCENTIVES

It is in a spirit of harmonization that the Government of Canada and the Government of New Brunswick agree to cooperate in stimulating the implementation of new development opportunities within the service sector in order to increase private sector investment in the province. All areas of the province will be eligible for assistance and the incentive formula will apply equally to an eligible project that establishes or expands an operation engaged in or intending to become engaged in an eligible service operation.

I. General Eligibility Criteria

- (a) The applicant requesting assistance must demonstrate that the proposal can generate income sufficient to meet all financial obligations, including depreciation.
- (b) It must be demonstrated that the project will be managed by qualified persons.
- (c) It must be satisfactorily established that sufficient qualified human resources are available or can be trained to adequately operate the project at all times.
- (d) The availability of markets for the output of the industry must be demonstrated.
- (e) Consideration must be given to use Canada and New Brunswick supplies wherever possible. Notwithstanding the foregoing, provincial preference for sourcing materials, equipment, services and hiring will not be permitted.
- (f) Provision of assistance will only take place following the investment of the required equity of the applicant.
- (g) Satisfying the eligibility requirements does not imply that assistance will be provided automatically.

- (h) Other requirements as may be defined by the Management Committee.
- (i) Statements relative to the requirements of the above criteria shall be set forth in the program application.

Applications are to be forwarded to:

Department of Commerce and Development
Small Business Division
P.O. Box 6000
Fredericton, New Brunswick
E3B 5H1

II Selected Service Operations

Selected service operations means internationally export oriented or foreign import replacement service sector operations in the fields of services to business management, repair and servicing, health services, education technologies and wholesale trade. Such service operations must be currently exporting or intend to export at least 50% of services or derive at least 50% of their income from import replacement.

III Eligible Costs

III.1 Eligible Capital Costs

This means the direct costs of design, acquisition, construction, expansion, modification, conversion, transportation, installation, insurance and interest, during construction, of assets, incurred and paid for by the applicant, and includes the cost of directly related infrastructure development, but does not include:

- (a) the cost of land,
- (b) costs related to assets that, according to generally accepted accounting principles, would normally be considered a charge against income in the year in which they were acquired,
- (c) the cost of any motor vehicle unless the vehicle is used on site and unlicensed for highway use,
- (d) goodwill, or
- (e) the cost of any asset to the extent that it exceeds the fair market value of the asset.

III.2 Eligible Non-Capital Costs

This means the operation's first two years of space rental, equipment leasing, contracted-out opportunity research and development, and international marketing costs or such similar costs for the incremental activities of an operating firm wishing to expand its operations.

[In the event of any conflict between this definition of "Eligible Cost" and that definition of Eligible Costs found in paragraph 1.1(k) of the sub-agreement, the provisions of paragraph 1.1(k) shall prevail.]

IV Incentive Levels

Two financial incentive options are being offered with a ceiling placed on the amount of the offer until such time as potential and needs of this sector have been established by experience. Option X is based on approved capital costs and Option Y is based on approved non-capital costs.

Option X:

The following incentive level in respect of eligible capital costs for selected service industries meeting the eligibility criteria will apply:

a) Approved capital cost \$0 to \$5,000	No Incentive
b) Approved capital cost greater than \$5,000 but less than \$250,000	The lesser of 50% or \$50,000

Option Y:

The following incentive level in respect of eligible non-capital costs for selected service industries meeting the eligibility criteria will apply:

a) Approved non-capital cost \$0 to \$5,000	No Incentive
b) Approved non-capital cost greater than \$5,000 but less than \$250,000	The lesser of 30% or \$50,000

A combination of the two incentive options can be requested, but the sum of the offer cannot exceed \$75,000.

V Financial Assistance Procedures

Specific guidelines, including the following, will be set to ensure quick processing time by program implementors.

- (a) The applicant will provide adequate information for an evaluation of the project to be made. This may include prior years financial statements, financial projections, details of management, proposed financing, opinions of applicable government departments where appropriate, or such additional information as may be required to evaluate the proposals.
- (b) Equity contributions must be equal to at least 20% of total assets.
- (c) Notwithstanding the provisions of (b) above, the applicant shall provide proof that funds are available to complete the work proposed to be undertaken.
- (d) Progress payments will be based on verified claims. Costs will be audited prior to final disbursement.
- (e) A control period will be specified which will generally be a period of twenty four (24) months beginning with the commencement of commercial production.
- (f) The applicant will consent to a public announcement by the Government of Canada and the Province of New Brunswick in the form of a news release containing information on the project and the level and amount of assistance. The applicant will also consent to the erection of signage on the project site as deemed appropriate by Canada and the Province.

(g) Under the penalty of repayment, the applicant shall not reduce shareholders' loans or shareholders' equity except for operating losses, during the control period without prior approval of the Management Committee.

V.1 Turn-Around Time on Approvals

Every effort will be made by both parties to this Agreement to effect a 30 business day turn-around to process program applications from the date of the receipt of an acceptable application. The establishment of specific operating procedures and clear-cut application forms will assist program implementors to meet these turn-around deadlines.

